

Argentina Economics View

Things Happened

- The country is facing two different but interrelated economic problems: a textbook sudden stop and the lack of a nominal anchor. Regarding the former, a halt in capital inflows limits the country's ability to finance its fiscal deficit, which in turn was financing the current account deficit. Hence, domestic absorption will fall, hurting activity.
- The economy is lacking of a clear monetary regime, as the inflation targets have become irrelevant. Thus, the economy is operating without a nominal anchor. In this context, the demand for pesos could fall further, putting pressure on the ARS, fueling inflation, hurting activity, and therefore making the country less appealing to foreign capital (potentially exacerbating the magnitude of the sudden stop).
- This report includes updated economic forecasts following recent developments (note that changes are not marginal). Now, we see inflation peaking at 50%, and activity falling not only this year but also next.

Fernando Jorge Diaz^{AC}

+1-212-816-9891

fernando.jorge.diaz@citi.com

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

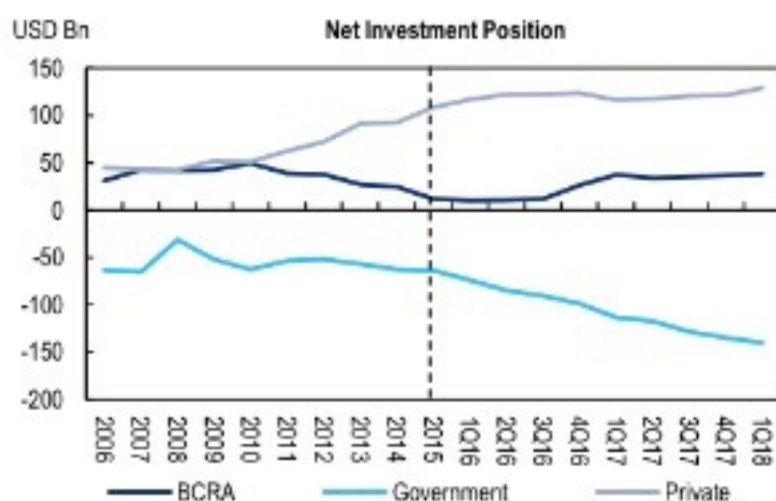
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Things Happened

The economics of sudden stops

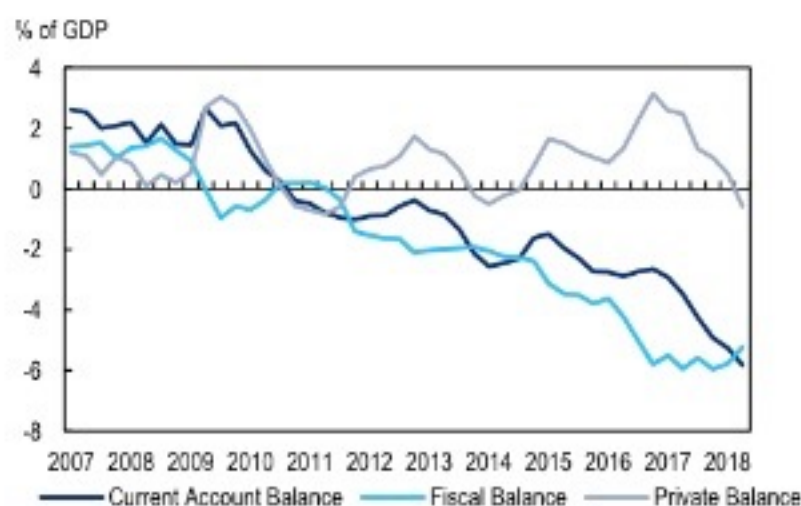
Concerns about Argentina's current account deficit make little sense at this point ... A country needs capital inflows to be able to finance a current account deficit, unless it is willing to lose reserves. This was precisely what happened during Cristina Kirchner's second term, for instance, as the Central Bank of Argentina (BCRA) was financing the Treasury. However, this is no longer the case. Under President Macri, the bulk of the fiscal needs have been financed externally, and these inflows were in turn financing current account deficit (Figure 1). As we show below in Figure 2, the fiscal deficit and the current account balance have moved together. Hence, now that the government will need to reduce the fiscal deficit faster, the current account will adjust as well, since the portfolio inflows which were financing the latter were the Treasury's debt sales consequence of its deficit.

Figure 1. The current account deficit has been financed by public debt sales...



Source: INDEC and Citi Research

Figure 2. ... as the fiscal deficit has dominated the current account



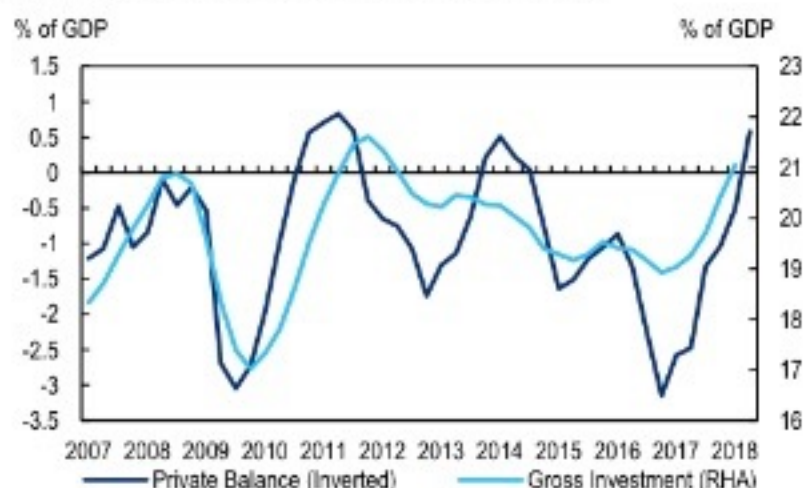
Source: INDEC, MECON and Citi Research

The private sector's balance, the part of the current account deficit that is not explained by the fiscal deficit, will also adjust (Figure 3). The changes in the latter are mostly explained by the moves in the rate of investment, and investment should shrink. We see three reasons to expect investment to weaken: i) the rise in country risk and interest rates (particularly longer rates), ii) the expected recession, as investment is very procyclical, and iii) the more uncertain political outlook. Naturally, the three reasons are related.

... the interesting question is the size of the adjustment and the consequences. Last year the current account deficit stood at 4.9% of GDP, with a fiscal deficit of 6.0% of GDP. The government has announced a fiscal consolidation at the primary balance level from a 3.8% of GDP deficit last year (and 3.1% in June 2018) to a 2.6% of GDP primary deficit this year. The 2019 primary balance target has been revised to 0.0% of GDP. Needless to say, with such adjustment, the fall in the current account deficit should be significant. We see next year's fiscal deficit at 2.9% of GDP (given the obviously positive interest bill, which will rise as a result of the weaker ARS), while we expect the current account deficit to decrease to 2.4% of GDP, compared to 5.0% of GDP deficit this year. Regarding the consequences, abrupt adjustments in the current account balance are usually recessionary. In the last twenty five years Argentina had two episodes of sudden stops. The first one was the contagion of the Tequila crisis in 1995: the current account improved by 2.1% of GDP that year and activity fell 2.8%. The second one was between 1998 and 2002, when the current account balance improved by 12.4% of GDP! The result

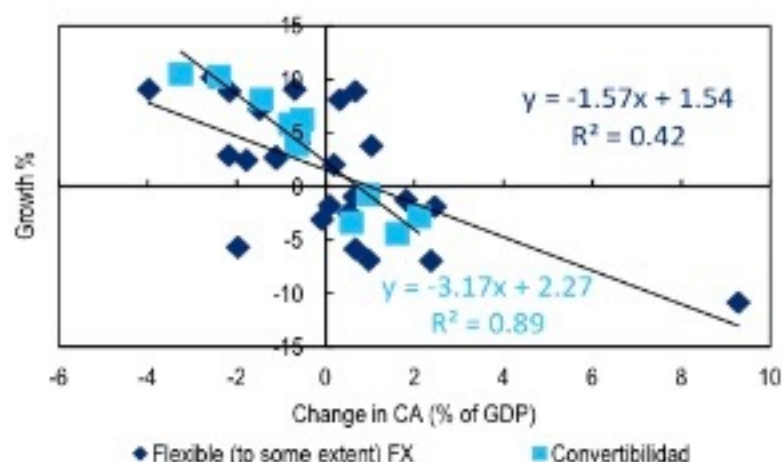
is well known, activity collapsed 18.4%. The two episodes described above happened under a fixed exchange rate, which amplified the negative effects on activity, but still a recessionary effect should be expected even if now the currency floats. Figure 4 below illustrates these two points: i) sudden adjustments in the current account are recessionary, and ii) the negative effect on growth is stronger when the exchange rate is not flexible. If we look at LatAm after the international financial crisis, the countries which have experienced a sharp fall in their current account deficits have also witnessed a deceleration in growth. In these countries, the currency depreciated and inflation increased transitorily.

Figure 3. The private balance is driven by investment



Source: INDEC and Citi Research

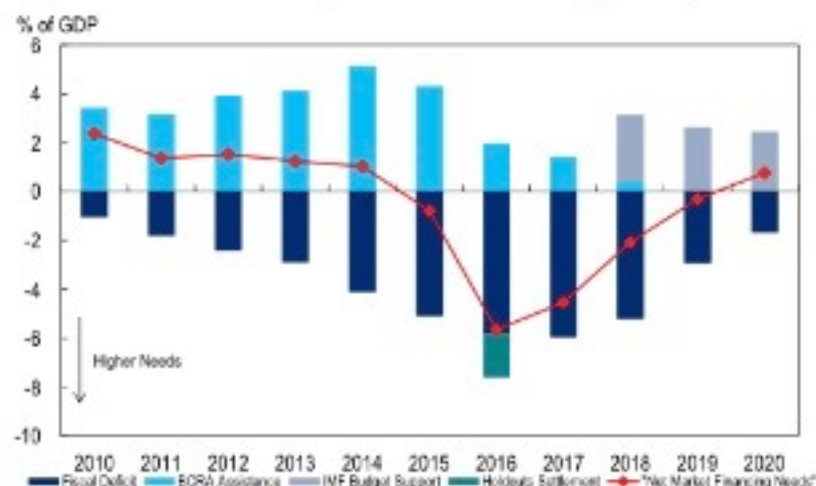
Figure 4. Improvements in the current account are usually recessionary



Source: IMF WEO and Citi Research

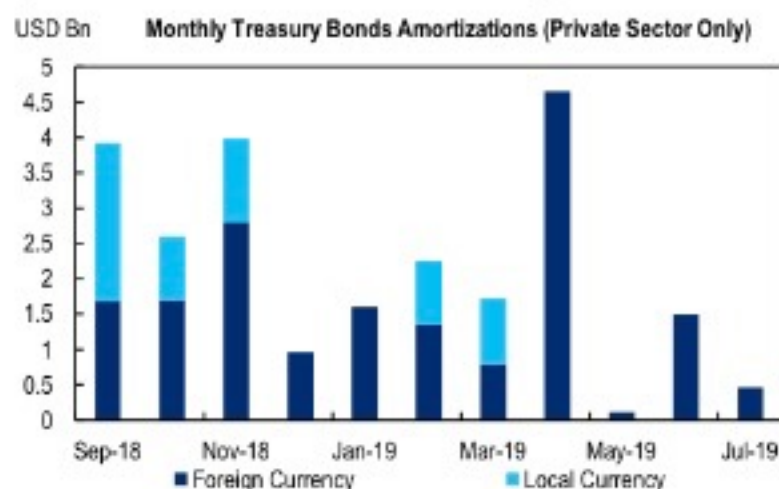
The high stock of short-term debt increases the risk of a sudden stop. As we explained in our [Argentina Economics View: Mind the 2019 Financing Gap?](#), the Federal Government's net financing needs moving forward are going to be significantly lower than in the first two years and a half of the Macri administration, particularly after factoring in the recently announced additional fiscal consolidation (Figure 5). Why markets are concerned, then? The answer to that question lies on the stock of short-term debt (Figure 6). As a result of it, the authorities need to exaggerate the fiscal adjustment, to show markets that the country would have the necessary funds to face a low rollover equilibrium.

Figure 5. While net financing needs will decrease significantly...



Source: BCRA, INDEC, MECON and Citi Research

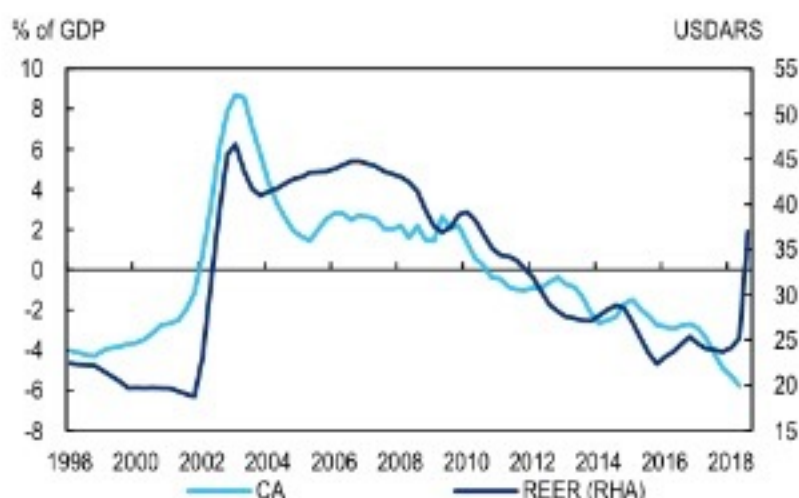
Figure 6. ... markets are concerned about the high of short-term debt



Source: MECON and Citi Research

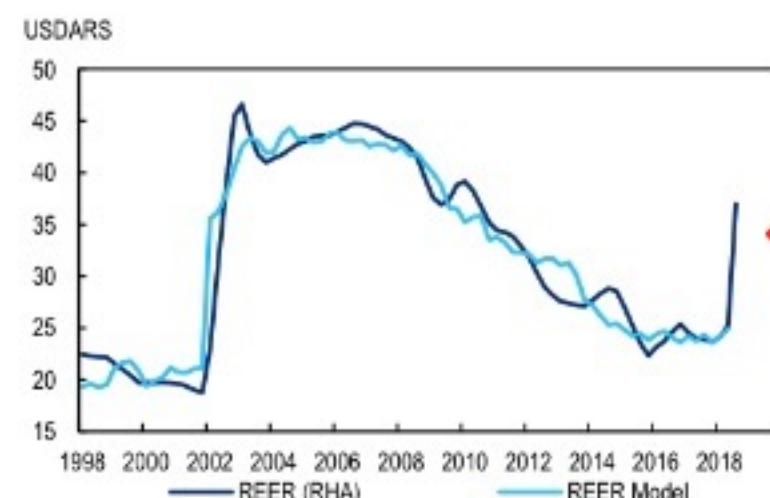
A sudden stop and a fall in the current account deficit are consistent with a weaker real exchange rate, but still the ARS looks too depreciated currently. This is one of the most intuitive results in macroeconomics: the lower domestic demand is, the cheaper domestic goods should be relative to goods produced/traded internationally. Or, in other words, the weaker the currency should be in real terms. Figure 7 below shows this relationship, evidencing how wider current account deficits are associated with a stronger peso, and also puts the current exchange rate in historical perspective: an USDARS around 37 is similar to the exchange rate Argentina had in 2010, when the country had a small current account surplus. Moreover, the equilibrium real exchange rate also depends on the composition of domestic demand, and how biased towards non-tradable goods it is. Usually, when the current account deficit is driven by a fiscal deficit, then the currency tends to appreciate more, as public spending is more biased towards domestic (non-tradable) goods. To capture this, we ran a very simple regression in which the independent variables are the primary fiscal deficit (as the overall deficit is affected by Argentina's multiple defaults) and the private balance as we defined it before, and the dependent variable is the real effective exchange rate. We also used a dummy for the final years of the *Convertibilidad*, in order to capture that the real exchange rate could not fully/freely adjust to the change in fundamentals as the economy had a fixed exchange rate (with the deflation being a clear signal that the currency was becoming quite overvalued). The regression results verify that the effect of the fiscal deficit on the REER is the largest one. Moreover, we used the results to conduct a simple exercise, and we estimated which would be the exchange rate consistent (at today's prices) with a primary balance by the end of 2019 and an increase in the private balance of 1.0% of GDP. Our exercise yields an exchange rate of USDARS34.1. We present the results in Figure 8. In sum, our analysis suggests that the currency has overreacted, even if we assume a significant adjustment in the current account balance (particularly because this adjustment has not been completed yet, and we are also in a context of quite high peso interest rates).

Figure 7. The depreciation of the ARS is consistent with a significant adjustment in the current account balance



Source: BCRA, INDEC and Citi Research

Figure 8. The ARS is weaker, in real effective terms, than the level consistent with the announced fiscal adjustment



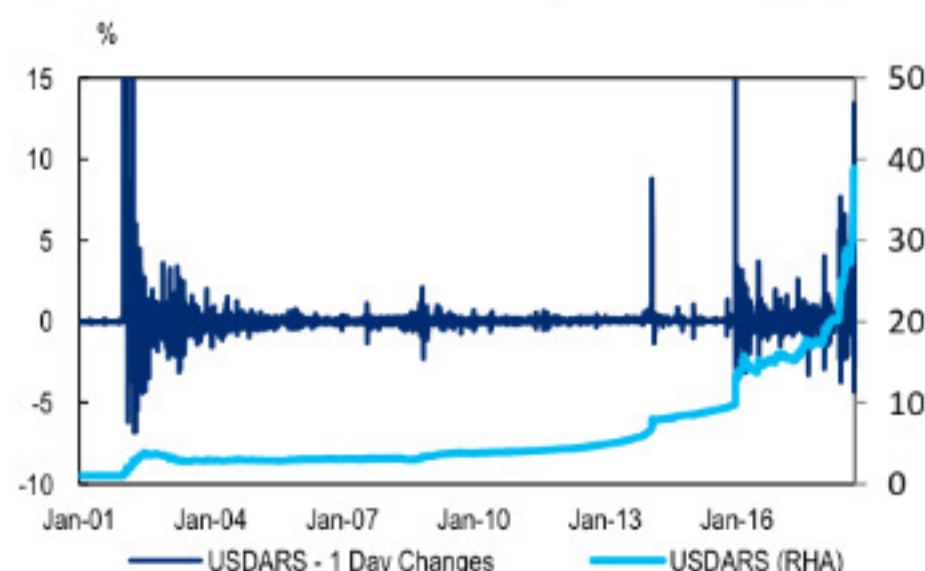
Source: Citi Research

Note: the red marker denotes the level consistent with the model for December 2019.

The nominal problem: navigating without an anchor

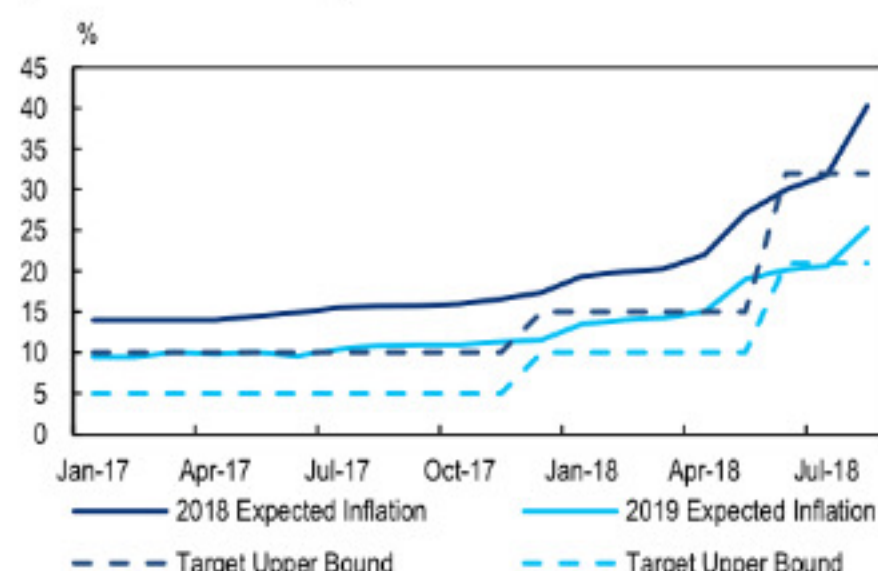
The economy is lacking a nominal anchor. Argentina is not only a country with a history of repeated episodes of high inflation, but is also a country in which the authorities have used the exchange rate as nominal anchor for most of the time. The economy had a currency board (i.e., a 'dollar standard') from 1991 to 2001, and then, after a disorderly adjustment in 2002, a monetary regime that could be defined as a crawling peg between 2003 and 2015. Figure 9 below shows how the volatility of the FX rate was minimal during that period of time. However, that changed in 2016, when the authorities started moving towards a more modern inflation targeting framework, in which a short-term interest rate would be the main policy instrument and the peso would float. Under this framework, the economy's nominal anchor is the inflation target. In other words, the targets are in charge of coordinating inflation expectations. For such a system to work, the central bank's credibility is key, and agents have to believe that the authorities' main objective is reaching the targets. While this framework may have worked initially, these conditions do not seem to currently hold. Figure 10 below shows how inflation expectations have been diverging from the inflation objectives, even if (or maybe because) the targets have been increased twice in the last nine months. This is a clear sign that the targets are not working as a nominal anchor. The lack of an anchor in a country with the inflation history Argentina has can be a major problem.

Figure 9. A de facto characterization of Argentina's monetary regimes



Source: Bloomberg and Citi Research

Figure 10. The inflation targets have become irrelevant

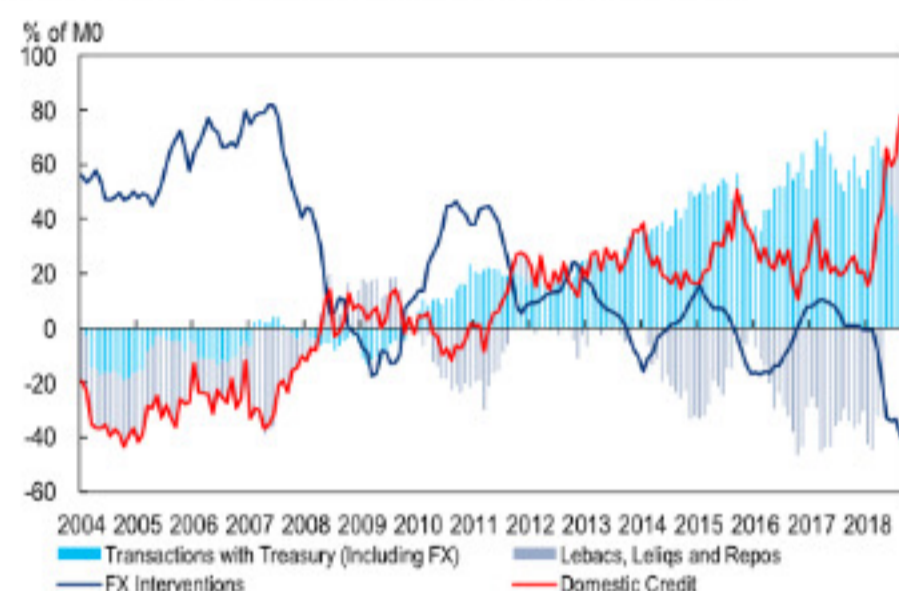


Source: BCRA and Citi Research

The pressure on the peso also has a nominal root. Given the situation described before, one in which the economy lacks of a nominal anchor and the FX rate (which was the economy's nominal anchor for a long period of time) has become increasingly volatile, demand for central bank monetary liabilities (i.e., not only the monetary base, but also the short-term peso debt, the Lebacs) could become unstable. This scenario has self-fulfilling characteristics, as a lower demand for pesos weakens the peso, feeding devaluation expectations and hence leading to an even lower demand for monetary liabilities. In other words, if inflation can be 'anything', if expectations are not anchored, then the demand for monetary liabilities may fall, causing inflation to effectively increase. Figure 11 below shows this mechanism has been, at least partially, behind the sharp selloff of the peso (which, as we noted, is weaker than the levels consistent with the new fundamentals). The graph shows that the increase in the demand for foreign currency, which has led to strong central bank intervention, has been the flipside of higher 'domestic credit' growth. This last variable is equal to the pesos the BCRA prints to assist the Treasury, minus (plus) the pesos it absorbs (prints) as a result of an increase

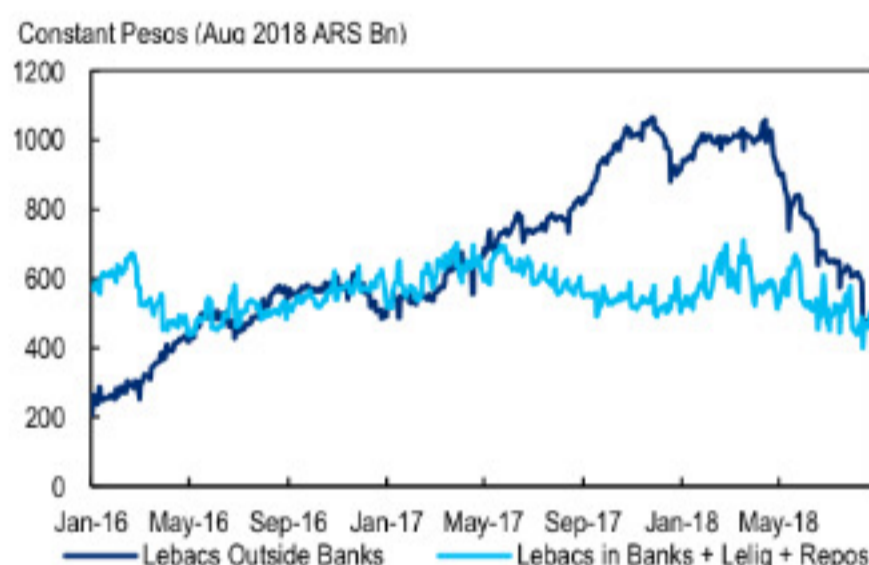
(decrease) in the stock of remunerated liabilities (Lebacs, Leliqs and repos). 'Domestic credit' has been soaring because investors have not been rolling over their Lebacs (Figure 12), forcing the BCRA to print pesos. Then, this 'excess' of local currency translates into a higher demand for foreign currency. It is true that the stock of Lebacs is much lower than the level it showed before the speculative attack against the ARS started, but at ARS460bn (just considering the stock outside banks) it is still relevant (almost 40% of the monetary base) and, if it continues falling, it could put additional pressure on the FX rate. It is very evident how the higher 'domestic credit' growth has been feeding the demand for dollars. In other words, how the pressure on the ARS has been explained, at least partially, by investors moving away from central bank peso paper and buying foreign currency. The program to cancel Lebacs outside banks is, therefore, something that should be followed closely as it could affect the dynamics in the FX market. In August, the reduction in the stock of Lebacs was reabsorbed in the form of other type of monetary liabilities (Leliqs), and also through Treasury auctions, but only partially. Hence, it also triggered a jump in 'domestic credit' and in the demand for foreign currency, as evidenced in the graph below.

Figure 11. 'Domestic credit' growth has been booming...



Source: BCRA and Citi Research

Figure 12. ... as the stock of Lebacs plummets

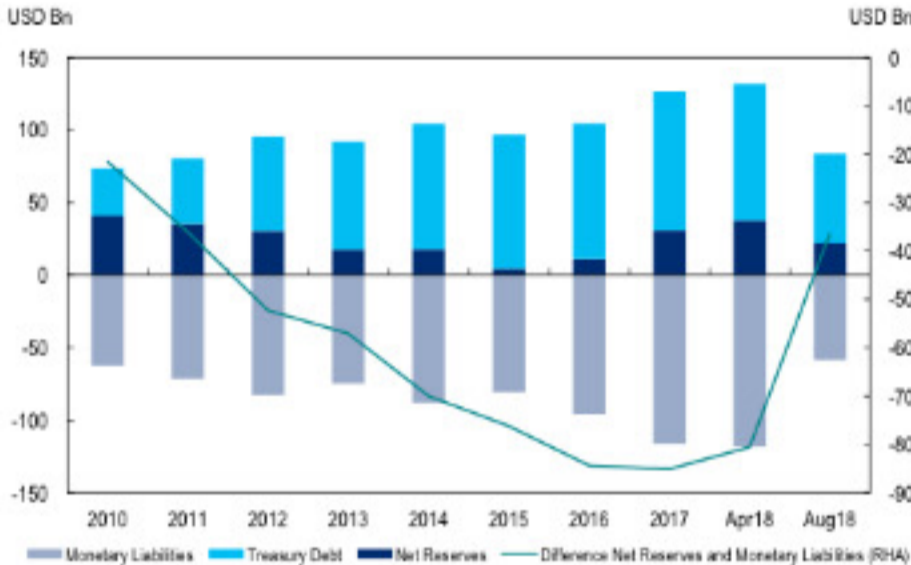


Source: BCRA and Citi Research

On the other hand, BCRA's firepower has improved. It is true that reserves have fallen much more than expected, but when the BCRA sells reserves it is absorbing monetary liabilities. More importantly, monetary liabilities have fallen markedly in dollar terms. The BCRA was long foreign currency and short pesos, and hence has made a significant profit out of the weaker ARS. If we evaluate BCRA's balance sheet by looking at the difference between monetary liabilities and net reserves (i.e., how many pesos it can absorb by selling reserves), it is at its strongest point since 2011, as we show in Figure 13. Moreover, the reason why BCRA's balance sheet was so weak in the first place was the excessive assistance to the Treasury between 2010 and 2015, and while transfers to the latter decreased in 2016 and 2017 they still were relevant and did not allow the BCRA's balance sheet to improve significantly (Figure 14). However, since moving forward the BCRA will not assist the Treasury, and given that seigniorage should be significant as a result of the high inflation, the bank's balance sheet will continue improving, something that should translate into lower central bank ARS liabilities or higher net reserves. Thus, it not only makes more sense intervening more aggressively at the current exchange rate to stop the speculative attack because the probability of success is higher, but also because even if reserves initially fall, they will recover sooner than later. In sum, we continue to think that nominal uncertainty will continue to be high unless the BCRA

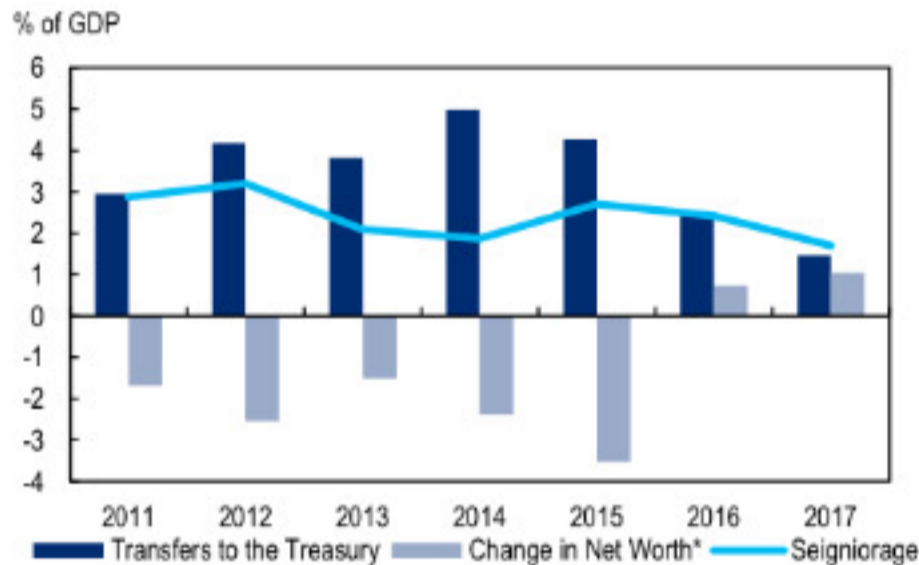
decides to use more clearly the FX as a nominal anchor (as we argued some months ago in our [Argentina Economics View: Some Fear of Floating May be Necessary](#)), at least until inflation starts normalizing and expectations stabilize. Nonetheless, we think the likelihood the BCRA changes its strategy and moves towards a more active FX intervention (more explicitly defending a level) is higher at the current levels of the FX rate, and this could start stabilizing the FX market. The effect the discretionary FX intervention by the BCRA had on the exchange rate last week was auspicious.

Figure 13. The gap between reserves and monetary liabilities has fallen



Source: BCRA and Citi Research

Figure 14. Monetary financing of the Treasury has been excessive



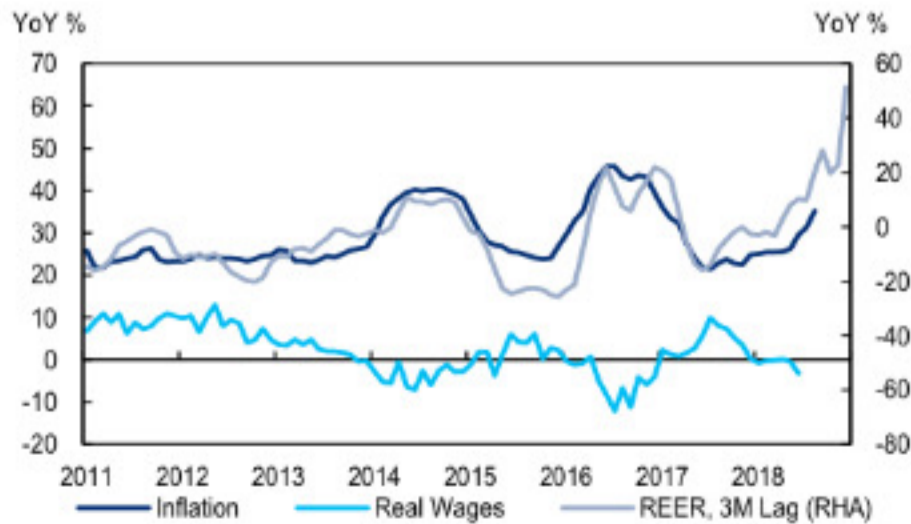
Source: BCRA and Citi Research

*net of Treasury debt

The economic cost: very high inflation and a longer recession

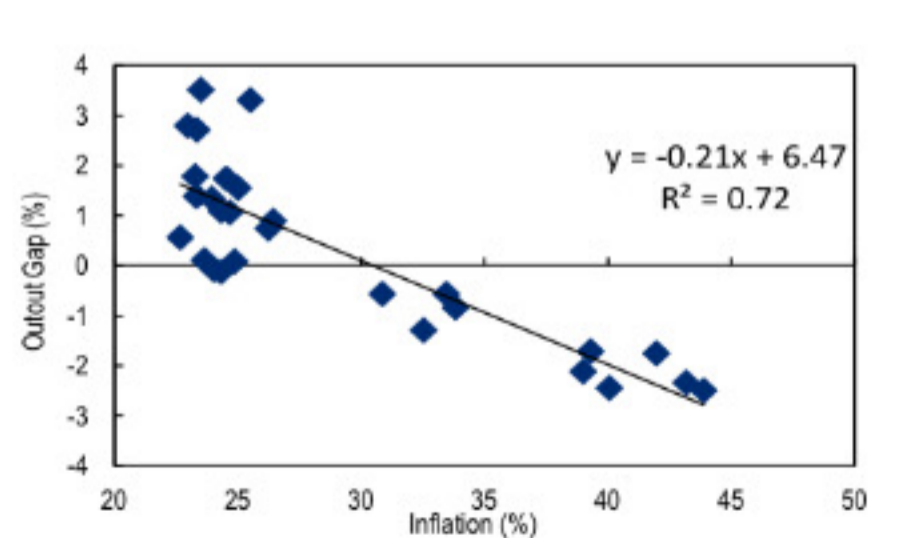
Nothing of this is new for Argentina. The inflation and activity outlook has obviously deteriorated. 2014 and 2016 have shown how sharp depreciations of the currency can fuel inflation in the short term, hurting real wages and pensions, and hence negatively affecting growth (Figure 15). In the same vein, Figure 16 reaffirms how Argentina has shown an inverse relationship between inflation and activity. This kind of inverted Phillips curve is explained by the nature of the changes in the inflation rate: while in stable countries inflation usually accelerates as a result of higher demand, in Argentina it is driven by nominal shocks.

Figure 15. Sharp ARS depreciations fuel inflation, leading to lower...



Source: BCRA, INDEC and Citi Research

Figure 16. ... real wages and hurting growth



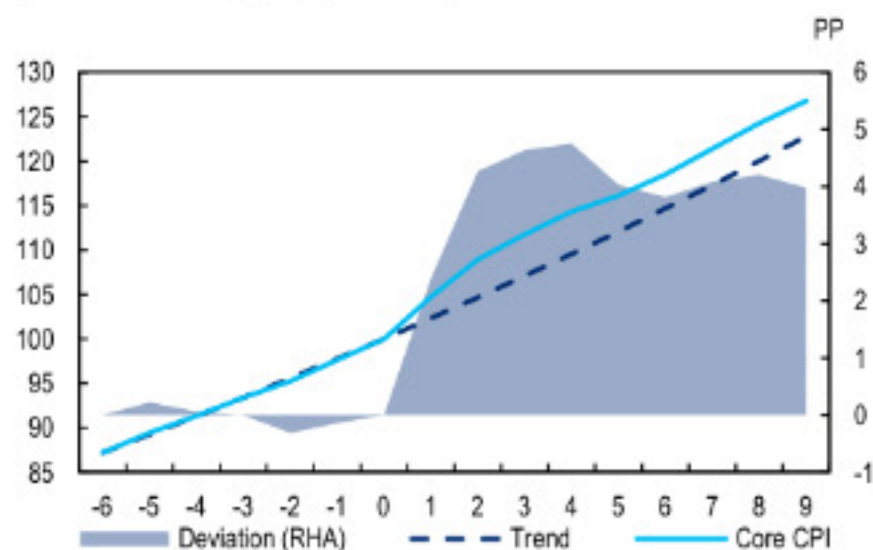
Source: INDEC and Citi Research

Note: Quarterly data since 2011

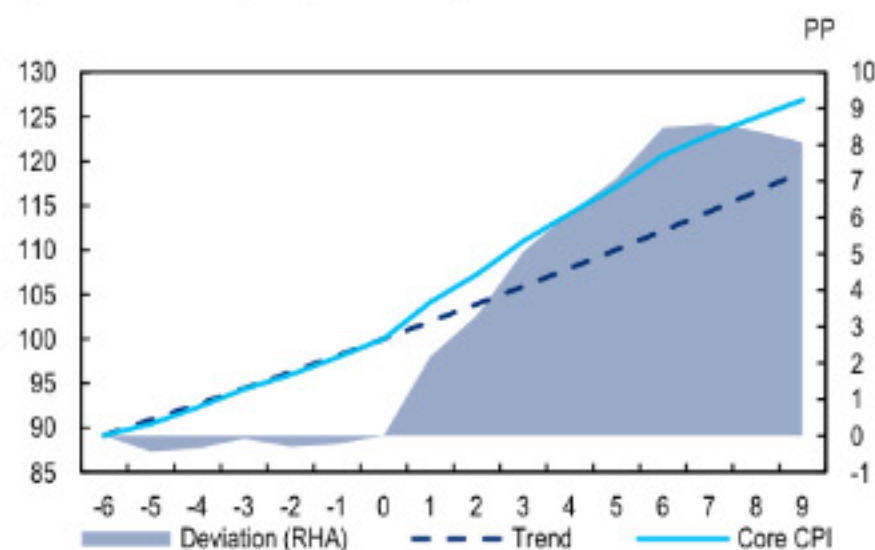
The magnitude of the acceleration is not easy to anticipate, but should be significant (even by Argentina's standards). We start by looking at the evolution of inflation following the recent big peso depreciations: the one from early 2014 and the one that followed the elimination of the FX controls under President Macri. Figure 17 and Figure 18 below show how core inflation evolved after the devaluation of the peso, with monthly inflation being higher than the trend observed prior to the shock for 3-6 months, and then converging back to the trend. Interestingly, the size of the pass through was similar in both episodes, around 0.17pp. In 2014, the USDARS jumped from 6.5 to 8.0 and the inflation gap during the following six months was 4.0pp. In 2016 the exchange rate increased from 9.8 to around 14.5 (after a small overshooting) and the acceleration in inflation was of 8.1pp. If we extrapolate and we assume things will play out similarly this time, the 83% increase in the exchange rate, taking an USDARS of 20.2 as initial point, would yield an acceleration in inflation of 14.1pp, and annual core inflation would accelerate to around 40%. However, there are a few points worth making. We do not expect the evolution of the FX rate to be similar this time than the one observed in 2014 and 2016. Back then, the USDARS stabilized quite quickly after the steep devaluation, and remained stable for a prolonged period of time. As we explained before, the challenges the BCRA faces are higher than in the past, so the FX rate is unlikely to remain stable around USDARS 37 for a long time. Hence, a 40% annual core inflation seems to be a plausible but optimistic scenario. Moreover, tariffs normalization should continue, and therefore headline inflation should remain higher than core.

Figure 17. Assessing the pass through of the 2014 devaluation

Figure 18. Assessing the pass through of the 2016 devaluation



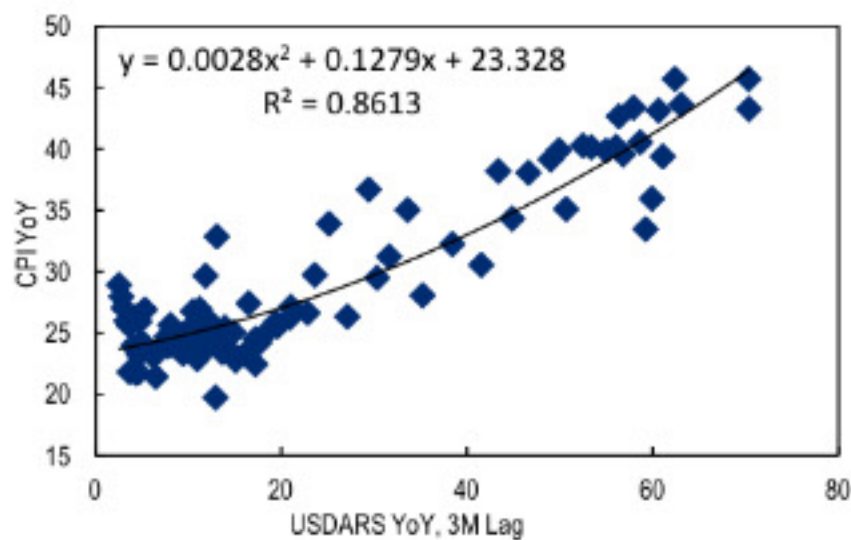
Source: Citi Research



Source: Citi Research

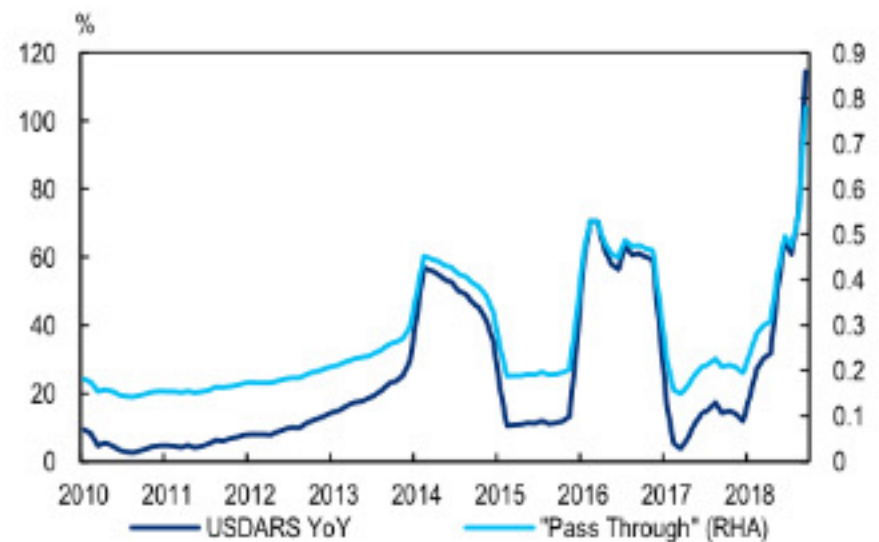
The larger the nominal depreciation is, the bigger the risk for inflation. Figure 19. shows not only the clear relationship between changes in the exchange rate and inflation, but more importantly that the effect a weaker peso has on prices is not constant but increasing (with the size of the depreciation). In other words, small depreciations have a slight marginal impact on inflation, while larger devaluations have a stronger effect on the margin. This is an additional source of concern, since as we show in Figure 20 this time the weakening of the ARS has been very significant. In the same graph, we also show how the slope of the curve (the regression line) in Figure 19 changes for different levels of peso depreciation. At current levels, the slope is close to one, suggesting that further peso weakness could pass through to inflation quite directly.

Figure 19. There is a clear relationship between the FX rate and inflation...



Source: INDEC, Haver and Citi Research

Figure 20. ... and the slope of the curve increases with the size of the depreciation



Source: Haver and Citi Research

Our inflation model also suggests that the acceleration in inflation should be stronger this time, and inflation could reach the 50s. Naturally, the results are very sensitive to the assumptions. For our exercise, we assume that the real exchange rate gradually converges towards the USDARS 34 equilibrium level (at today's prices) we estimated in the first part of this piece towards the end of next year. For real wages, we assume a similar cycle than in 2016, which showed a larger contraction than in 2014. Last but not least, we assumed that inflation expectations (Universidad Torcuato Di Tella's survey) increase further as a result of the recent ARS selloff from 30% to 35%. Figure 21 below presents the model's output, while Figure 22 shows the assumptions behind the forecasts.

Figure 21. Our model suggests a significant acceleration in inflation...



Source: Citi Research

Figure 22. ... even if the REER appreciates and real wages fall



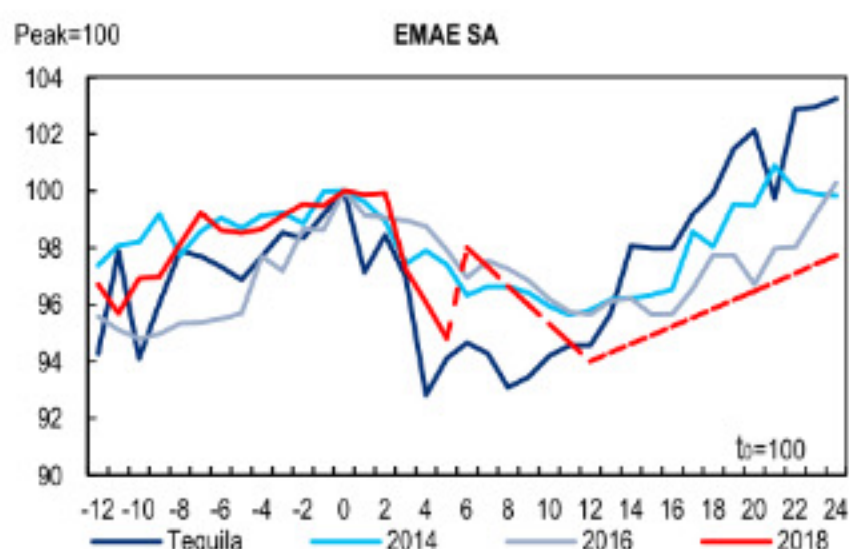
Source: Citi Research

Updated nominal forecasts: all in all, we now see annual consumer inflation closing 2018 at 48.5%, peaking at 50% in 1Q19, and then decelerating to 26.5% by the end of next year. For the USDARS, we expect it to close at 41.0 this year, and to stand at 47.0 by the end of 2019. We acknowledge that in this context of high nominal uncertainty, these are more assumptions than forecasts; however, we also believe that the authorities will try to prevent the ARS from significantly weakening in nominal terms given the implications this could have for the inflation outlook.

In terms of activity, two downward forces will combine. First, the typical 'stop and go' cycle that we have already seen in 2013/14/15 and 2015/16/17. The higher inflation will cause real wages and pensions to fall, therefore hurting growth, as we described before. If we look at the 2014 and 2016 episodes, the fall in activity was quite similar, and activity started recovering once inflation started to normalize, towards the second half of the year (or six months after the steep depreciation), as the lower inflation allowed real wages and pensions to start recovering. The second force will be the effect of the sudden stop and the abrupt correction on the current (and fiscal) balance. Figure 23 below shows the path we expect for activity, relative to the 2014 and 2016 recessions, as well as compared to the *Tequila* effect in 1995. As we explained in previous reports, Argentina's potential growth rate has probably improved, and this should limit the recessionary forces described above. However, still given the size of the necessary current account adjustment, we expect this recession to be deeper than the recent ones. Last but not least, Figure 4 at the beginning of this report showed how adjustments in the current account were almost twice more recessionary with a fixed exchange rate, and hence we do not expect this recession to be as strong as the 1995 one.

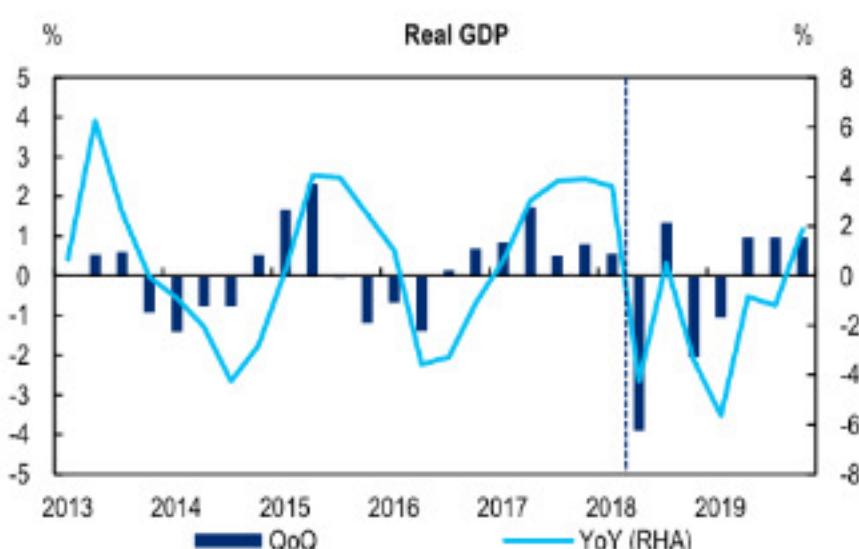
The economy should start recovering in the first half of 2019. This stabilization should be driven by the normalization of inflation, while we also note that the fiscal adjustment should be relatively upfront (particularly the increase in taxes), thus also allowing the economy to perform better in 2H19. Regarding the specific timing, we think the economy could start recovering in the first quarter of next year, but still the negative statistical carryover would lead to negative QoQ growth, with 2Q19 being the first quarter of positive quarterly growth. Figure 24 presents our updated growth forecasts. The 'irregularities' in the second quarters of this and next year are due to the impact of the drought in 2018 and the expected normalization in 2019.

Figure 23. This recession should be deeper than the 2014 and 2016 ones



Source: INDEC and Citi Research

Figure 24. We should not see positive annual growth until 2H19



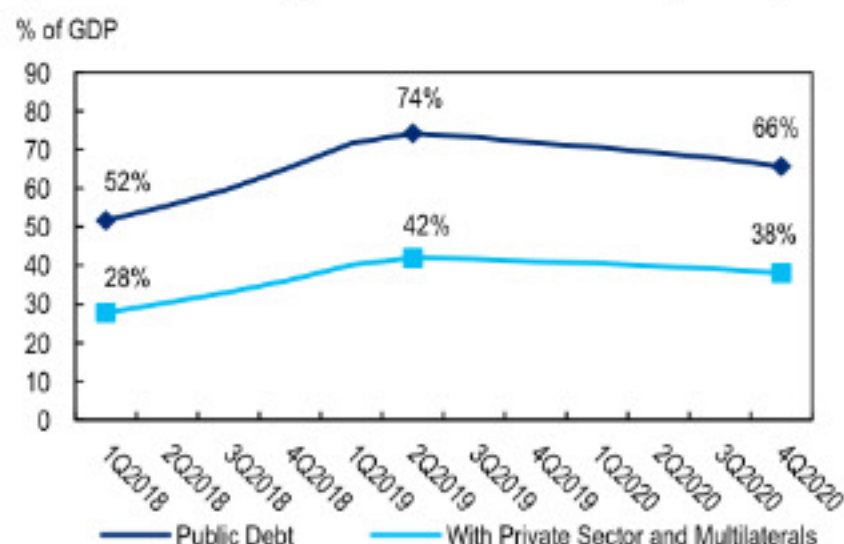
Source: INDEC and Citi Research

How sustainable is public debt?

Public debt is going up, but should remain at manageable levels. 7/10 of the stock of public debt is dollar denominated. As a result, the weaker peso will lead to a higher share in terms of GDP, particularly since the ARS needs to adjust in real terms (hence the pass through will be partial) as we discussed before in this piece. We present our forecasts below in Figure 25. We note that initially, as the GDP measured in dollar terms will exaggerate the fall, the debt to GDP ratio will overshoot. This is normal following sudden currency depreciations, something

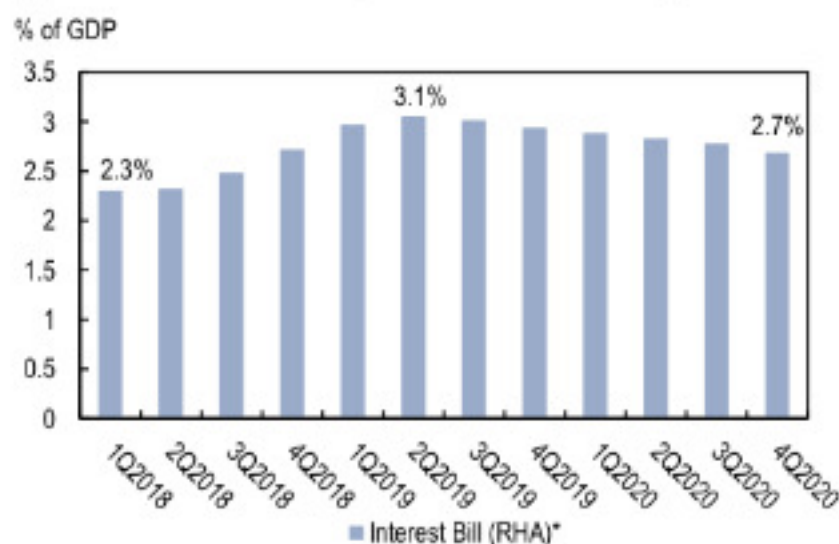
similar happened in 2014 and 2016, and should not be a big source of concern. We also note that the high stock of public debt in hands of public agencies, mostly BCRA and ANSeS, implies an important buffer. Net public debt, excluding public sector holdings, should stabilize at quite comfortable levels. Interest payments should also rise relative to GDP, but could remain at manageable levels (Figure 26). All in all, debt capital markets shut down for Argentina well before debt sustainability could become an issue, even despite the high share of dollar denominated debt.

Figure 25. The share of public debt and interests as a percentage...



Source: INDEC, MECON and Citi Research

Figure 26. ... of GDP will rise, but continue to be manageable



Source: INDEC, MECON and Citi Research

*With private sector

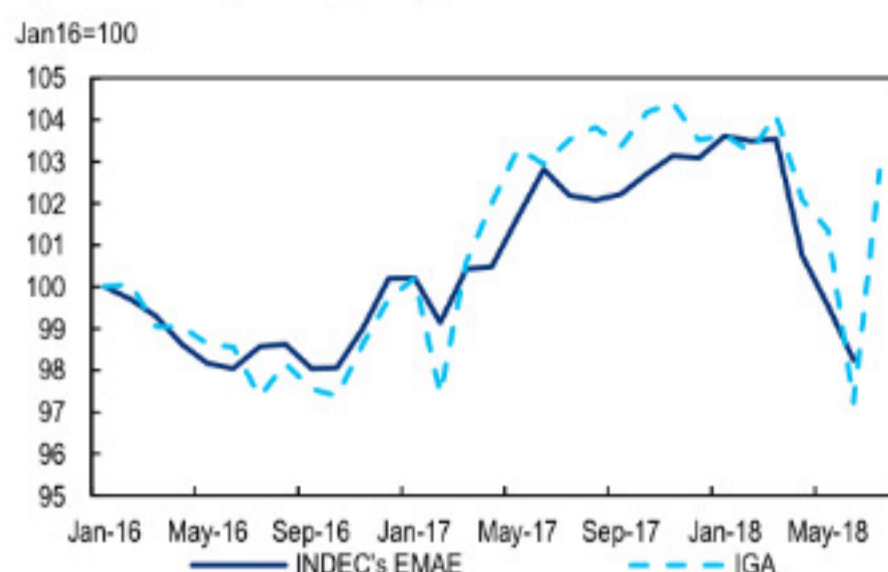
Our forecasts versus the consensus

We acknowledge that our forecasts differ from the consensus estimates

recently released by the BCRA. In terms of activity, the consensus sees 2018 and 2019 growth at -1.9% and 0.5%, respectively. The fact that we see higher growth this year but lower growth next may seem odd. However, we believe the consensus is underestimating growth in 3Q as it may not be fully incorporating the rebound in agricultural output, hence underestimating growth for this year as a whole. OJF's General Activity Index (IGA), a privately produced monthly GDP proxy which moves very closely with the INDEC's EMAE, already showed a marked recovery in July, which should anticipate a similar result for the official index (Figure 27). If this is the case, then the likelihood that 3Q growth is as weak as the consensus is anticipating (-1.5% QoQ) is very low. Meanwhile, the consensus is expecting a quite small fall in 4Q18, suggesting the economy should be close to stabilizing in that quarter. We think that, given the recent developments, activity will not stabilize until early 2019, and this lowers the statistical carryover for next year, and hence explains our lower 2019 forecast.

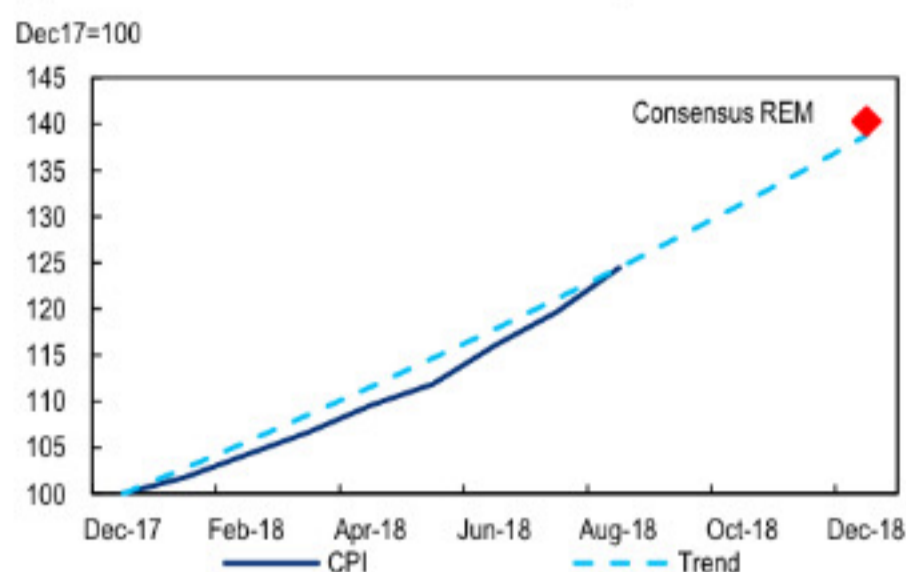
In terms of inflation, we believe the consensus has not fully incorporated the impact of the recent ARS depreciation. Assuming a 4% monthly inflation rate for August, in line with high frequency indicators, the 40.3% 2018 consensus forecast assumes basically that inflation in the last four months of the year behaves similarly than during the first eight months (Figure 28). This is quite optimistic, in our view. As we explained before, the extra peso weakening will likely trigger an additional acceleration in inflation, particularly if the peso continues depreciating through the remainder of the year (even if it is marginally).

Figure 27. Activity should partially recover in 3Q



Source: INDEC, OJF and Citi Research

Figure 28. Consensus inflation forecasts seem optimistic



Source: BCRA, INDEC and Citi Research

Updated economic forecasts

In this last section of the report we present our updated economic forecasts for Argentina. Please see Figure 29 below.

Figure 29. Argentina – Selected Economic Forecasts

	2012	2013	2014	2015	2016	2017	2018	2019F	2020F
Activity									
Nominal GDP, USD bn	581	613	566	644	554	637	485	440	486
Real GDP, yoy avg	-1.0	2.4	-2.5	2.7	-1.8	2.9	-1.0	-1.5	3.0
Private consumption growth % yoy	1.1	3.6	-4.4	3.7	-1.0	3.5	-0.5	-4.6	3.0
Real investment growth % yoy	-11.2	4.7	-6.2	4.6	-3.5	19.7	2.8	-2.4	7.5
Real export growth, % yoy	-4.1	-3.5	-7.0	-2.8	5.3	0.4	2.0	6.8	5.4
Real import growth, % yoy	-4.7	3.9	-11.5	4.7	5.7	15.0	4.8	-4.6	6.9
Net exports contribution to yoy growth	0.3	-1.8	1.6	-1.7	-0.4	-3.9	-1.0	2.8	-0.9
External (US\$bn)									
Current account	-2.1	-13.1	-9.2	-17.6	-14.7	-31.3	-24.3	-10.5	-10.8
% of GDP	-0.4	-2.1	-1.6	-2.7	-2.6	-4.9	-5.0	-2.4	-2.2
Trade balance	15.0	4.6	5.5	-0.8	4.4	-5.5	-4.3	3.7	6.1
FDI, net	15.3	9.8	5.1	11.8	3.3	10.8	10.1	8.9	12.0
External debt	156.5	155.5	158.7	167.4	181.2	234.5	268.4	278.9	289.7
International reserves	43.3	30.6	31.4	25.6	39.3	55.1	50.0	60.0	70.0
Public Finances, % of GDP									
Consolidated government balance	-2.4	-2.9	-4.1	-5.1	-5.8	-6.0	-5.2	-2.9	-1.7
Consolidated gov primary balance	-1.1	-2.3	-3.4	-4.0	-4.2	-3.8	-2.5	0.0	1.0
Public debt	34.0	33.1	39.2	37.4	49.7	50.4	65.4	71.8	65.7
Prices									
CPI, % yoy	23.0	31.9	39.0	31.6	31.4	24.8	48.5	26.5	22.0
ARS/USD, eop	4.92	6.52	8.55	12.94	15.87	18.61	41.00	47.00	55.40
ARS/USD, avg	4.54	5.45	8.09	9.21	14.74	16.51	30.04	44.18	50.90
Policy Interest Rate, % eop	-	-	-	-	24.8	28.8	60.00	30.00	26.00
1 month inter-bank rate, %, eop	15.4	21.6	20.4	27.3	19.9	24.8	45.68	24.34	21.09
Nominal wages, % yoy	29.6	26.7	31.9	31.1	32.8	29.3	27.0	35.6	27.6
Quarterly Economic Indicators									
	2017 Q4	2018 Q1	2018 Q2F	2018 Q3F	2018 Q4F	2019 Q1F	2019 Q2F	2019 Q3F	2019 Q4F
GDP, % yoy	3.9	3.6	-4.1	0.3	-3.2	-5.6	-1.0	-1.2	1.9
CPI, % yoy	24.8	25.4	29.5	39.3	48.5	49.8	45.8	36.0	26.5
ARS/USD, eop	18.61	20.12	28.94	38.00	41.00	42.42	43.90	45.42	47.00
Policy Interest Rate, % eop	28.75	27.25	40.00	60.00	60.00	45.00	35.00	32.00	30.00

Source: National Sources and Citi Research